

Message Text

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 03304 300215Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 /111 W
-----098120 300220Z /21

O 292229Z JUN 78
FM AMEMBASSY OTTAWA
TO AMEMBASSY PARIS IMMEDIATE
INFO SECSTATE WASHDC 7922

LIMITED OFFICIAL USE OTTAWA 03304

PARIS FOR USOECD

E.O. 11652:N/A
TAGS: ECON, OECD, CA
SUBJECT: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC)
REVIEW OF CANADA, JULY 3.

REF: A. PARIS 20541; B. EDR(78)16.

1. EMBASSY SUPPORTS LINE OF QUESTIONING PROPOSED BY MIS-
SION AND IS IN GENERAL AGREEMENT WITH SECRETARIAT'S
ANALYSIS AND FORECAST.

2. SECRETARIAT'S FORECAST: SECRETARIAT'S FORECAST OF DE-
CELERATION IN CONSUMPTION SPENDING DURING COURSE OF 1978
AND INTO NEXT YEAR DOES NOT APPEAR TO BE CONSISTENT WITH
EXPECTED PRICE/INCOME TRENDS. SECRETARIAT APPARENTLY
EXPECTS SOME ACCELERATION OF REAL INCOME OVER THIS PERIOD
AS IT SEES A DECELERATION OF INFLATION AND DOES NOT INDI-
CATE THAT GROWTH OF NOMINAL INCOME WILL TAPER OFF. THUS,
FASTER GROWTH OF REAL INCOME SHOULD GENERATE MORE RAPID
CONSUMPTION GROWTH (AT UNCHANGED SAVINGS RATE).

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 03304 300215Z

3. IN ADDITION, SINCE SECRETARIAT ASSUMES THAT SALES
TAXES WILL RETURN TO PRE-APRIL LEVELS IN OCTOBER, ITS
FORECAST SHOULD PROBABLY INCLUDE SPURT OF ANTICIPATORY
BUYING IN SEPTEMBER PRODUCING FASTER CONSUMPTION GROWTH IN
SECOND HALF OF YEAR.

4. EXTERNAL SECTOR: WE, LIKE MISSION, WOULD FEEL SECRETARIAT SHOULD DEVOTE MORE ATTENTION TO DEVELOPMENTS IN EXTERNAL SECTOR - THE MAIN SOURCE OF GROWTH IN CURRENT AND PREVIOUS YEARS. IN PARTICULAR, SECRETARIAT MIGHT MAKE EXPLICIT ITS ASSUMPTIONS RE LEVEL AND COMPOSITION OF U.S. AND CANADIAN GNP GROWTH.

5. REF. B (PARA 60) INDICATES THAT SERVICES BALANCE APPEARS TO BE BENEFITTING FROM RELATIVE PRICE MOVEMENTS. IMPROVEMENT IN REAL SERVICES BALANCE WAS MINIMAL IN FIRST QUARTER OF 1978. IN NOMINAL TERMS IT CONTINUED TO DETERIORATE - ESPECIALLY ON TRAVEL ACCOUNT. RECENT TRAVEL DATA INDICATES THAT VOLUME MOVEMENTS HAVE NOT BEEN FAVORABLE TO CANADA IN FOUR MONTHS TO APRIL, 1978.

6. INCOMES POLICY: WE AGREE THAT SECRETARIAT DOES NOT PROVIDE ADEQUATE SUPPORT FOR ITS RECOMMENDATION FOR STRONGER POST-AIB INCOMES POLICY. WE ARE ALSO LESS SANGUINE THAN SECRETARIAT CONCERNING EVOLUTION OF WAGES OVER NEXT 12 MONTHS. REAL AVERAGE HOURLY EARNINGS HAVE BEEN NEGATIVE FOR PAST ONE-HALF YEAR AND INFLATION RATE IS HIGH AND ACCELERATING. LABOR COULD WELL BE LOOKING TO RECOUP PAST LOSSES AS DECONTROL PROCEEDS. MOREOVER, COMBINATION OF HIGH INFLATION AND DECONTROL COULD REIGNITE INFLATIONARY EXPECTATIONS ADDING FURTHER FUEL TO WAGE DEMANDS. HOWEVER, CANADA, AS OTHER COUNTRIES, HAS EXPERIENCED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OTTAWA 03304 300215Z

STRONG POLITICAL RESISTANCE TO CONTINUATION OF INFLATION MONITORING AGENCY WITH TEETH. SUGGEST MISSION EXPLORE WITH CANADIAN DELEGATION FEASIBILITY OF VARIOUS POLICY OPTIONS FOR DEALING WITH POSSIBLE PRICE AND WAGE INCREASES BEYOND PRESENT MANDATE OF CENTER FOR STUDY OF INFLATION AND PRODUCTIVITY (CSIP), ATTACHED TO ECONOMIC COUNCIL.

7. MEDIUM TERM ISSUES: IN STUDY PREPARED FOR FEDERAL/PROVINCIAL ECONOMIC SUMMIT LAST FEBRUARY, GOC SET 5.5 PERCENT AVERAGE ANNUAL REAL GNP GROWTH OVER NEXT FOUR YEARS AS FEASIBLE GOAL FOR THE ECONOMY. STUDY NOTES THAT GROWTH IN 1978 SHOULD BE ABOUT 5 PERCENT IMPLYING THAT IN SUBSEQUENT YEARS, GNP WOULD HAVE TO GROW BY 5.7 PERCENT TO HIT TARGET OVER ENTIRE PERIOD. A SHORTFALL FROM 5 PERCENT IN 1978 WOULD IMPLY EVEN HIGHER, UNATTAINABLE GROWTH RATES IN BETWEEN 1979-1981. CONSENSUS OF PRIVATE FORECASTERS PUTS EXPECTED 1978 REAL GNP GROWTH AT 3.9 PERCENT. SUGGEST MISSION QUESTION CANADIANS ON CURRENT VIEWS ON MEDIUM TERM GOALS, INCLUDING RELATION BETWEEN SHORT RUN PERFORMANCE AND MEDIUM TERM EXPECTATIONS. ENDERS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, REPORTS, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OTTAWA03304
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780270-0001
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978067/aaaaafza.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: eebc568b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 20541
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2392700
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC AND DEVELOPMENT REVIEW COMMITTEE (EDRC) REVIEW OF CANADA, JULY 3.
TAGS: ECON, CA, OECD
To: PARIS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/eebc568b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014